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20 July 1962

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Estimate of the Effect of any Decision
by the US Government to pay the \$62,000,000
Ransom of Cuban Prisoners.

1. Overt payment by the US Government of the ransom money in cash to the Castro regime would, on balance, have an impact adverse to US interests among Free World governments and public opinion. While some would applaud such a decision for its humanitarian aspects, the bulk of reaction would probably picture it as a move by the US knuckling under to the extortion of a small power. In particular, most Latin American governments would also be critical of the US for materially strengthening the Castro regime--an action which, in their view, would be in direct contradiction to past US efforts to isolate and weaken the regime. Also, they would be chagrined to see Cuba receive this large sum when they themselves have been complaining of too little US aid. This would be partially but probably not wholly balanced by recognition of the humanitarian aspects and that the US was acting from a position of unique responsibility for the predicament of the prisoners involved. The reaction among

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anti-Castro Cubans would be mixed; the more aggressive and articulate ones would see such action as a set-back to their hopes for Castro's early overthrow. Certain Cuban exiles in Florida have already made clear their opinion that US payment of the ransom money would amount to the first step in the establishment of a US policy of coexistence with Castro. The Cuban government and the Sino-Soviet bloc would play up the payment as an "indemnification" by the US for the effects of the April 1961 landings. They would make the maximum propaganda use out of further emphasis of US responsibility for the April landings and of US inability to do anything about the prisoners other than on Castro's terms.

2. If the ransom payment is made by a private organization, such as the recently organized group supporting the Cuban Families Committee, without overt US participation, the reaction would be significantly less adverse to US interests. Nevertheless, there would still be criticism inasmuch as the payment could obviously not be made without US government toleration. If the payment were made either by the US Government or through the private committee in foodstuffs and medicines, the reaction would probably not be adverse and might on balance be favorable. This would have the added advantage

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of not directly providing the Castro regime with hard cash to purchase other items in the Free World (although, of course, it would release Cuban foreign exchange that otherwise would have gone for the purchase of consumer-goods abroad). The material benefits accruing to the Castro regime from such a move could probably be effectively offset by the US' portraying it as an action to provide the Cuban people (as distinct from the regime) with needed items which their own government has been unable to provide them in sufficient quantity and quality. However, it is by no means certain that the Castro regime would be agreeable to changing the nature of its ransom deal and, even if it would, it would probably engage in protracted negotiations. Nevertheless, even a Castro refusal to consider such a deal would emphasize the food and medicine shortages in Cuba and the failure of the regime to take a step that would ameliorate these shortages.

3. The effect on the Cuban economy of a payment of the \$62,000,000 in hard currency would be to provide a significant boost to the economy. The government is critically short of convertible foreign exchange on which it depends for imports of a number of goods which it cannot get from the Sino-Soviet bloc--such as parts for Western manufactured machinery, industrial raw materials,

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and consumer goods of types and in quantities to which the people had been accustomed. Cuban earnings of convertible foreign exchange during 1961 were estimated to be about \$150,000,000; this year the amount is likely to be substantially less. The \$62,000,000 could thus permit the Cuban government to import from Free World sources perhaps as much as double the quantities of needed goods that it could otherwise have imported. Incidentally, it would relieve the Soviet Union of the necessity for some of its short-term emergency support for the Cuban economy this year.

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